



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210

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Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

J.
m/049/009

April 18, 2003

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 2352

Richard R. Schreiber
Acting President & CEO
Chief Gold Mines, Inc.
Dimeling, Schreiber & Park
1629 Locust Street
Philadelphia, Pennsylvania 19103

Re: Response Requested to January 29, 2003 Division Directive, Failure to Comply with
Regulatory Requirements, Chief Gold Mines, Inc. & Tintic Utah Metals Inc., Trixie
Mine & Burgin Mine, M/049/024 & M/049/009, Utah County, Utah

Dear Mr. Schreiber:

On February 14, 2003, we faxed you a copy of a January 29, 2003, certified letter and Division Directive. The letter was originally sent to John E. Henderson of Chief Gold Mines, Inc., who no longer works for the company. This Directive outlined a number of outstanding compliance related concerns at the Apex-Burgin Mine complex located near Eureka, Utah. A ten-day timeframe was established for the company to contact this office to schedule a meeting to discuss options to remedy the outstanding concerns. No such meeting was requested by you or any other company representatives.

On February 26, 2003, I contacted you by telephone wherein you explained the financial circumstances and history of activities at the mine that has resulted in the current suspension of operations and the layoff of mine and administrative staff. You explained that you were seeking to deal with the company's current \$1.3 million dollar debt and believed you had worked out a means of doing so. You stated you were seeking a joint venture partner to assist in starting up operations at the mine once again and had a few parties express interest. You hoped to have a resolution worked out within 30 days. At the conclusion of our conversation, I asked you to please send us a letter explaining the background and extenuating circumstances as you had expressed them to me on the phone. On February 27, 2003, you faxed a copy of a letter to our

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Richard R. Schreiber
M/049/024 & M/049/009
April 18, 2003

office that you had sent to the company's creditors. The letter did not provide the background information that we had discussed.

Please provide us with a letter by May 2, 2003, explaining the status of your current negotiations to secure funding to reactivate the Apex/Burgin and Trixie mines and your plans for the immediate future at these sites. We also request that you provide a response to the outstanding permitting concerns that are outlined in our January 29, 2003 letter (copy attached).

If you have any questions regarding this letter, please contact me at (801) 538-5286, or Tom Munson at 538-5321. Thank you for your cooperation and immediate attention to this matter.

Sincerely,

A handwritten signature in black ink, reading "D. Wayne Hedberg". The signature is fluid and cursive, with the first name "D." and last name "Hedberg" clearly legible.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

Jb
Attachment: January 29, 2003 letter
cc: Mary Ann Wright, DOGM
Tom Munson, DOGM
O:\M049-Utah\M0490009-ApexBurgin\final\directive-reply.doc



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January 29, 2003

CERTIFIED RETURN RECEIPT

7099 3400 0016 8896 2765

John E. Henderson
Chief Gold Mines, Inc.
P.O. Box 51
15988 Silver Pass Road
Eureka, Utah 84628

Re: Notice of Division Directive, Failure to Comply with Regulatory Requirements, Chief Gold Mines, Inc. & Tintic Utah Metals Inc., Trixie Mine & Burgin Mine, M/049/024 & M/049/009, Utah County, Utah

Dear Mr. Henderson:

On October 8, 2002, the Division received your time extension request seeking additional time (until October 31, 2002) to provide our office with the updated \$57,900 reclamation surety for the Trixie Mine. We approved of the extension by letter dated October 24, 2002. Since then, several phone conversations have occurred between you and Division staff, with little assurance of when or if, the surety will be filed with this office. As you know, the new surety amount was originally due on February 8, 2002. The Division has granted several time extensions to Chief Gold Mines, Inc. since that date. A year has almost passed since the original due date was established for receipt of this revised surety amount.

On September 20, 2002, the Division sent you a letter concerning your August 12, 2002 request to dispose of Trixie Mine mill tailings over the Burgin Dump rather than at the Dry Stack Tailing disposal area. Certain timeframes were established as a condition to our acceptance of this proposal for reclamation to be completed by October 31, 2002 and seeding prior to winter. To date, we have received no confirmation from you that these requirements have been met at the Burgin Mine Complex.

Accordingly, you are hereby directed to contact the Division within 10 days of your receipt of this letter to schedule a meeting to discuss options to remedy these concerns. Please contact Vicki Southwick, Executive Secretary, at (801) 538-5304 to arrange a meeting with the

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John E. Henderson
M/049/024 & M/049/009
January 30, 2003

Associate Director to resolve this matter. Your failure to respond accordingly may result in the issuance of a formal Notice of Agency Action. This enforcement action would require the mine operator to appear before the Board of Oil, Gas and Mining during a formal public hearing in Salt Lake City to defend your failure to comply with our regulatory requirements.

If you have any questions regarding this notice, please contact me at (801) 538-5286, or Tom Munson at 538-5321. Thank you for your immediate attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "D. Wayne Hedberg". The signature is written in dark ink and is positioned above the printed name and title.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
cc: Mary Ann Wright, DOGM
Tom Munson, DOGM
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